

CHIP FAQs



Affordable Housing

See [24 V.S.A. Chapter 117 § 4303](#).

- Owner-occupied housing for which the total annual cost of ownership, including principal, interest, taxes, insurance, and condominium association fees, does not exceed 30 percent of the gross annual income of a household at 120 percent of the highest of the following:
 - the county median income, as defined by the U.S. Department of Housing and Urban Development;
 - the standard metropolitan statistical area median income if the municipality is located in such an area, as defined by the U.S. Department of Housing and Urban Development; or
 - the statewide median income, as defined by the U.S. Department of Housing and Urban Development.
- Rental housing for which the total annual cost of renting, including rent, utilities, and condominium association fees, does not exceed 30 percent of the gross annual income of a household at 80 percent of the highest of the following:
 - the county median income, as defined by the U.S. Department of Housing and Urban Development;
 - the standard metropolitan statistical area median income if the municipality is located in such an area, as defined by the U.S. Department of Housing and Urban Development; or
 - the statewide median income, as defined by the U.S. Department of Housing and Urban Development.



Affordable Housing Development

A housing development where at least 15% of the units are designated as affordable housing with a recorded covenant or deed restriction ensuring affordability until the Final Repayment Date. Units must be used as the tenant's or owner's primary residence during such time. An application serving an affordable housing development does not have to meet the "but-for" test. The municipality may retain up to 85% education tax increment and must retain at least 85% of the new municipal tax increment.

Committed

Committed means pledged and appropriated for the purpose of the current and future payment of financing and related costs.

Developer

The person or entity responsible for undertaking to construct the housing development. Developers must enter into a binding Housing Infrastructure Agreement with the municipality.

Final Repayment Date



In the event of municipal financing of CHIP debt, the date on which the municipal debt is fully repaid, or in the event of non-municipal financing of CHIP debt, the date on which the municipality's obligation to reimburse eligible infrastructure costs ends.

Financing

Financing means debt, including principal, interest, and any fees or charges directly related to that debt, incurred by a Sponsor, or other instruments or borrowing used by a Sponsor, to pay for a housing infrastructure project and, in the case of a Sponsor that is a municipality, authorized by the municipality pursuant to the law.

Housing Development

The construction, rehabilitation, or renovation of any building on an approved Housing Development Site. In connection with an approved Housing Development that is not an Affordable Housing Development or Moderate-Income Housing Development. A municipality may retain up to 75% of the education tax increment and must retain at least 85% of new municipal tax increment.

Housing Development Site



The whole parcel or parcels where the housing development will occur. If the development is to occur over multiple parcels, the parcels must be contiguous (i.e., a parcel may be separated by a road). Only parcels where the housing development is to occur can be included in the Housing Development Site, unless contiguous parcels are under common ownership and share a School Property Account Number (SPAN), in which case they must also be included. Housing Development Sites must be formally designated by the municipality (24 V.S.A. § 1908) and approved by VEPC. Housing Development Site boundaries define the area within which the original taxable value is established, and tax increment is generated. Once established, the boundaries of the Housing Development Site shall not change.

Housing Infrastructure Agreement

A homestead is the principal dwelling and parcel of land surrounding the dwelling, owned and occupied by the resident as the person's domicile as defined by the Vermont Department of Taxes. Or, if the unit is a rental unit, the lease agreement stipulates that the tenant occupies the unit as their primary residence. Both owner-occupied and rental units must remain a primary residence until the Final Repayment Date.

Housing Infrastructure Project



A set of infrastructure improvements that support a specific CHIP housing development. These improvements must be directly tied to enabling the housing development. These improvements may or may not be located on the Housing Development Site.

Improvements

The installation, construction, or reconstruction of infrastructure that will serve a public good and fulfill the purpose of the program; and the funding of debt service interest payments, or other financing, for a period of up to four years, beginning on the date on which the debt or other financing is first incurred. Improvements do not need to be within the Housing Development Site, but the applicant must demonstrate that the proposed improvements enable the proposed housing development.

Legislative Body

For CHIP, "Legislative Body" means the mayor and alderboard, the city council, the selectboard, and the president and trustees of an incorporated village, as appropriate. ([24 V.S.A. § 1906\(12\)](#))

Moderate-Income Housing Development



A housing development in which at least 25% of the units are for households earning 150% or less of area median income (AMI) and also subject to affordability restrictions until the Final Repayment Date. Units must be used as the tenant's or owner's primary residence during such time. A municipality with an application serving a moderate-income housing development may retain up to 85% of the education tax increment and must retain at least 85% of the new municipal tax increment.

Original Taxable Value (OTV)

The assessed value of taxable real property within the Housing Development Site on April 1 of the year the site is approved by VEPC.

Primary Residence

A homestead is the principal dwelling and parcel of land surrounding the dwelling, owned and occupied by the resident as the person's domicile as defined by the Vermont Department of Taxes. Or, if the unit is a rental unit, the lease agreement stipulates that the tenant occupies the unit as their primary residence. Both owner-occupied and rental units must remain a primary residence until the Final Repayment Date.

Public Good



The public good will be considered met for improvements that directly support the housing development and are:

- publicly owned and publicly accessible; or
- privately owned and publicly accessible; or
- privately owned and privately accessible improvements may be eligible so long as they can demonstrate a community benefit from the CHIP-supported infrastructure project. The municipality shall articulate with evidence how the community needs or desires the planned improvements and that they are mutually beneficial for the municipality and developer. (i.e., private septic systems for a development in a community that does not have a municipal wastewater system, and/or the cost of connecting the development to an existing system would be cost-prohibitive for the developer and town.

Related Costs

Expenses incurred and paid by a municipality or Sponsor that are directly related to the creation, implementation, and administration of the Housing Infrastructure Project, including reimbursement of sums previously advanced for those purposes.

Sixty Percent (60%) Floor Area



60% of the indoor floor area must qualify as housing. The housing must primarily serve residential uses. Floor area to be considered housing includes all housing units dedicated to primary residences, shared spaces that are accessible to residents or exist solely to serve residential units, including but not limited to hallways, elevators, stairwells, common rooms, or mechanical and utility spaces directly serving residential units. Space that does not count toward the 60% includes, but is not limited to: commercial space, or space operated by the municipality or another entity for uses not directly serving residential units. For further clarification for the purpose of calculating the eligible floor area, refer to the current International Building Code as adopted by the Vermont Department of Fire Safety.

Soft Costs

Soft costs in construction are indirect, non-physical expenses essential for a project's completion, covering services like architectural/engineering fees, permits/inspections, legal, accounting, financing, insurance, and project management, unlike hard costs which pay for tangible materials and labor. The majority of soft costs typically occur prior to the start of the construction phase of a project.

Examples of soft costs may include:

- Permits and licenses
- Legal fees
- Insurance premiums



- Taxes
- Architectural and engineering fees
- Environmental evaluations
- Feasibility studies
- Surveys and assessments
- Construction loan interest
- Loan origination fees
- Project management fees
- Consultancy fees (ex. environmental, historic preservation, etc.)
- Marketing and sales expenses

Sponsor

The person or entity undertaking to finance the Housing Infrastructure Project. This may be the municipality, a developer, or an independent agency that meets State lending standards.

Tax Increment

The difference in property tax revenue generated by the increase in assessed value over the OTV. A portion of the increment may be retained by the municipality to service debt on eligible infrastructure costs, pay for eligible related costs, reimburse a non-municipal Sponsor or developer for eligible costs of the Housing Infrastructure Project, and/or pay for eligible direct costs



associated with the eligible infrastructure project. Municipalities whose infrastructure projects will result in an affordable or moderate-income housing development are eligible to retain up to 85% of the education tax increment. Municipalities whose infrastructure projects will result in any other type of housing development are eligible to retain up to 75% of the education tax increment. All projects must retain at least 85% of the municipal tax increment.

What is CHIP?

CHIP = Community and Housing Infrastructure Program created in [Act 69](#).

CHIP utilizes tax increment financing (TIF) for infrastructure improvements that support the development of new housing, with the preferential consideration of affordable and moderate-income housing. It is a targeted use of the tool (a.k.a. project-based TIF), allowing municipalities to retain a portion of the property tax revenue resulting from increased values within a defined Housing Development Site (project). These funds may be used to repay the debt incurred for or pay for eligible infrastructure improvements.

CHIP is designed to complement local and state planning priorities and foster coordinated public-private partnerships. Projects must meet statutory criteria and be approved by the Vermont Economic Progress Council (VEPC) before municipal debt is incurred or a municipality is obligated to reimburse eligible infrastructure costs.



Why was CHIP created?

CHIP was created to “encourage the development of new primary residences for households of low and moderate income across both rural and urban areas of all Vermont counties that would not be created but for the infrastructure improvements funded by the Program.”

Vermont [Act 69](#) (S. 127, 2025)

How does CHIP work?

CHIP authorizes a [Sponsor](#) - a municipality, a developer, or an independent agency that meets State lending standards - to finance the costs of infrastructural improvements using future property tax revenues from the parcel or parcels on which a housing development is constructed, subject to Vermont Economic Progress Council (VEPC) approval and the terms of a housing infrastructure agreement that governs the relationship among the municipality, the developer constructing the housing development, and the Sponsor.

Can CHIP be used for speculative development, such as identifying potential housing development sites within the community?



No. A developer and housing development plan is required to prove housing benefit.

Can other forms of public funding be used in combination with CHIP?

Yes. Grants, loans, and other funding can be used in combination with CHIP tax increment. However, if a grant is used to pay some or all of the cost of an eligible CHIP infrastructure improvement, the portion of the cost paid by the grant cannot be reimbursed through CHIP (no double dipping).

Can a municipality request approval of more than one CHIP site?

Yes.

Does approval of one CHIP site decrease the likelihood that another CHIP site will be approved?

Generally, no. VEPC can approve multiple CHIP sites in a community.

As VEPC nears the maximum CHIP allocation for a year, it may elect to prioritize approval of CHIP sites in communities with no or fewer approved CHIP sites.



What entities are eligible to apply for CHIP?

Eligible applicants are Vermont municipalities (cities, towns, or incorporated villages) that seek to create a Housing Infrastructure Project.

Is a municipality the only entity eligible to apply for a CHIP?

Yes. And, only certain types of municipalities are eligible, specifically cities, towns, and incorporated villages.

Is a developer required for a municipality to submit a CHIP application?

Yes, unless the municipality will be the entity developing the housing development site.

What must a municipality do as part of the CHIP application process?

To pursue a housing infrastructure project, a municipality must:

- develop and adopt a housing development plan,



- designate the housing development site on which housing development will occur,
- provide voter notice of a proposed housing infrastructure agreement,
- execute a housing infrastructure agreement,
- hold an indebtedness vote if the municipality will incur debt,
- submit a CHIP Interest Form, and
- apply to VEPC to use tax increment financing for the housing infrastructure project.

What is the first step a municipality should take before applying for CHIP?

Municipalities must complete a [CHIP Interest Form](#) and submit it to VEPC staff for review prior to submitting a full application to VEPC.

When should a municipality submit a CHIP Interest Form to VEPC staff?

See [VEPC FAQs](#). There is no deadline to submit the interest form; however, municipalities should submit the form within a year of the CHIP project being "shovel ready".

What project requirements must be satisfied to obtain approval for a CHIP application?



Projects must satisfy the “But-For” Test, certain process requirements, and the housing development either dedicates at least 60 percent of its floor area to housing or meaningfully addresses the purpose of CHIP.

Is that maximum amount – a cap – on the amount of CHIP projects that VEPC can approve each year?

Yes. VEPC may annually approve not more than \$200,000,000.00 in aggregate lifetime education property tax increment retention.

Is CHIP a permanent program or does it have an end date?

CHIP is not a permanent program. Currently, the final application date deadline for tax increment financing under CHIP is December 31, 2035.

Does the Legislative Body need to approve the CHIP application?

Yes.

How long will it take for our CHIP to be approved after we submit an application to VEPC?



It depends. VEPC staff must determine that an application is complete and schedule a site visit. Once the site visit has occurred, VEPC has no more than 90 days to approve or disapprove a CHIP site.

What is the timeline for incurring CHIP eligible debt?

Sponsors may incur debt eligible for tax increment financing for a period of up to five years following creation of the housing development site. VEPC may extend this for up to three years.

What is the duration for which tax increment may be retained?

Tax increment may be retained for a period of up to twenty (20) years from the year in which debt is first incurred.

What percentage of the education property tax increment may be retained for a standard (market rate) housing infrastructure project?

75 percent (75%)



If a project meets certain affordability criteria is the percentage of the education property tax increment that may be retained different?

Yes. Projects meeting certain affordability criteria are eligible to retain an additional 10 percent (10%) for a total of 85 percent (85%).

What is the “But For” Test, and who determines if it has been met?

VEPC will review each application - other than those for which the housing development is an affordable housing development - to determine whether the infrastructure improvements proposed to serve the Housing Development Site and the proposed housing development *would not have occurred* as proposed in the application or *would have occurred in a significantly different and less desirable manner* than as proposed in the application **but for** the proposed utilization of the incremental tax revenues.

A non-exhaustive list of factors VEPC may consider around the question of what is a “significantly different and less desirable manner” may include, but is not limited to:

- a housing development occurring significantly **later** than it could occur with CHIP financing,
- a housing development that would include **fewer units** without CHIP financing,



- a housing development that is **significantly less affordable** than could occur with CHIP financing.

What types of housing project must meet the “But For” Test?

1. Moderate-Income - A housing development in which at least 25% of the units are for households earning 150% or less of area median income (AMI).
2. Market Rate – A housing development in which there are no income restrictions on any of the units.

What does “area median income” (AMI) mean?

Area Median Income (AMI) is the midpoint household income for a specific geographic region, meaning half of families earn more and half earn less, used primarily to determine eligibility for affordable housing and other federal/state programs. Calculated annually by the U.S. Department of Housing and Urban Development (HUD), AMI adjusts for household size, with various income levels (like 30%, 50%, 80% AMI) defining different tiers of affordability.

Where can I find out what the area median income (AMI) is for an “affordable housing development” or a “moderate-income housing development” in my municipality?



The Vermont Housing Data website, also known as HousingData.org, provides Vermonters with tools for making more informed decisions about affordable housing. This website is loaded with valuable data and information.

Area median Income can be found by following this path: [Home>> Vermont Community Data Profiles>>Income & employment>> Area Median Income \(AMI\)](#). You also can use this simple table for quick reference: [Home Purchase Price & Rental Affordability Thresholds by Income Level and Household Size](#).

What are examples of items that would be considered “improvements”?

Improvements may include, but are not limited to, the following:

- **Utilities**, such as power distribution and transmission lines and conduit, telecommunications lines and conduit, telecommunications towers, digital infrastructure, and power or telecommunications equipment; drinking water, wastewater, and storm water, infrastructure including: water sources; green and gray stormwater practices; distribution/collection and conveyance piping and pump stations; and treatment systems, facilities, and regulatory required pertinent equipment.
- **Thermal energy** networks, waste heat recovery, and community-scale geothermal.
- **Transportation improvements** such as publicly accessible roads, streets, bridges, parking lots, facilities, garages, and structures,



multimodal facilities, public transit stop equipment and amenities, street and sidewalk lighting, roundabouts, crosswalks and/or other pedestrian crossing treatments, traffic calming features, sidewalks, streetscapes, way-finding signs and kiosks; traffic signals, medians, turn lanes, and property acquired or used for right of way such as hiking and biking trails, pathways to facilitate multimodal transportation, bicycle and pedestrian lanes, paths, and bridges, street furnishings.

- **Site preparation** for development or redevelopment including acquisition, demolition, environmental remediation of contaminated property, and mitigation of a flood-prone area.
- **"Soft costs"** such as consulting, design, architects, engineering, accounting, legal, project management, associated application fees, or other professional services directly related to the implementation and construction of eligible site improvements.

If a proposed housing development project would require the municipality to expand its wastewater system, is the full cost of the expansion project an eligible CHIP cost?

It depends. If the CHIP project will be the only development served by the expansion (now and into the future), the full cost may be an eligible CHIP cost. If other development will be served by the expansion, the full cost must be prorated because only the portion to be used by the housing development project is an eligible CHIP cost.

Please contact VEPC staff to discuss your project.



Are municipal employee and staff costs directly related to the administration and implementation of the CHIP Site considered an “Eligible Related Cost”?

Yes, but these costs may only be paid with the municipal tax increment.

Is the cost of a CHIP-related independent annual municipal audit an “Eligible Related Cost”?

Yes.

Are the costs of providing public notification about, and obtaining public approval for, a CHIP Plan, a Finance Plan, and CHIP debt, CHIP application, or CHIP amendment “Eligible Related Costs”?

Yes

Housing Development and Housing Development Site

How much land does it take to create a “housing development”?



There is no set amount of land required to create a “housing development”. A housing development can be as small as two units, such as a duplex.

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